National Insurance contributions for self-employed people. Class 2 and Class 4

HM Customs & Excise

Inland Revenue

'Working together for you'

LEAFLETS YOU MAY FIND USEFUL

The Department of Social Security and the Inland Revenue both produce a wide range of leaflets (most of which are free) each designed to explain a different aspect of the National Insurance and tax systems in plain English. Some you might find useful are listed below.

FROM INLAND REVENUE NATIONAL INSURANCE CONTRIBUTIONS OFFICES

CA01	National Insurance contributions for employees
CA02	National Insurance contributions for self-employed people with small earnings
CA07	National Insurance contributions - unpaid and late paid contributions
CA08	National Insurance contributions. Voluntary contributions
CA11	National Insurance contributions for share fishermen
CA12	Training for further employment and your National Insurance record
CA13	National Insurance contributions for married women
CA72	National Insurance contributions - deferring payment
GL23	Social Security benefit rates
IB202*	Incapacity Benefit (IB202 (NI) in Northern Ireland)
NI17A*	A guide to Maternity Benefits (NIL 17A in Northern Ireland)
NP45*	A guide to Widow's Benefit
NP46*	A guide to Retirement Pension

* These leaflets are also available from Benefits Agency Offices.

FROM TAX OFFICES AND INLAND REVENUE ENQUIRY CENTRES

IR34	PAYE - Pay As You Earn
IR56	Employed or self-employed?*
IR120	You and the Inland Revenue
CWL1	Starting your own business?*
SA/BK3	Self Assessment - A guide to keeping records for the self-employed
SA/BK4	Self Assessment - A general guide to keeping records
SA/BK5	Self Assessment - Electronic version of the tax return
SA/BK6	Self Assessment - Penalties for late tax returns
SA/BK7	Self Assessment - Surcharges for late payment of tax
SA/BK8	Self Assessment - Your guide.

Some of our leaflets are also available on the Internet at
http://www.inlandrevenue.gov.uk

* These leaflets are also available from the Inland Revenue National Insurance Contributions Offices.

Quick Guide

INTRODUCTION **3**
OTHER INFORMATION AVAILABLE TO YOU **3**
NATIONAL INSURANCE CONTRIBUTIONS **4**
CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS
Who pays Class 2 National Insurance contributions 5
Self-employed people with small earnings 5
What happens if you are sick? 6
Married women and widows 6
After state pension age 7
National Insurance contribution rates for the 2000/2001 tax year 8
What are the time limits for payment? 8
What benefits do Class 2 National Insurance contributions count for? 8
Notifying self-employment for the first time 9
Voluntary Class 3 National Insurance contributions 9
CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS
Who pays Class 4 National Insurance contributions? 10
What if I am not exempt from payment? 11
When is payment due? 12
What is the rate of Class 4 National Insurance contributions? 13
On what income do I have to pay Class 4 National Insurance contributions? 13
Deducting interest and annual payments 14
Claiming relief for losses 14
What if a husband and wife are both self-employed? 15
Partnerships 15

Class 1 National Insurance contributions on earnings included in the calculation of Class 4 National Insurance contributions 15
Example of a tax and Class 4 National Insurance contribution calculation 17
Calculating the Class 4 National Insurance contributions payable for 1999/2000 18
CREDITS
What are credits and what do they count for? 19
Who can get credits? 19
Credits and men approaching or over the age of 60 20
DEFERRING PAYMENT AND GETTING REFUNDS IF YOU HAVE MORE THAN ONE JOB
Deferring Class 2 and Class 4 National Insurance contributions 21
If you are employed and self-employed 22
Applying for a refund of Class 4 contributions 23
Share fishermen 23
FOR MORE ADVICE AND INFORMATION
About benefits and National Insurance contributions 24
Class 2 National Insurance contributions 24
About deferring payment of National Insurance contributions 24
About Schedule D and Class 4 National Insurance contributions 24
Publications available from the Inland Revenue 25
IF YOU ARE UNHAPPY ABOUT THE SERVICE PROVIDED BY THE INLAND REVENUE 25
Data Protection 25
GLOSSARY 26

Introduction

This leaflet is for self-employed people and contains information about Class 2 and Class 4 National Insurance contributions.
It is issued by the Inland Revenue and explains the

- National Insurance contributions you have to pay
- benefits you can claim.

It also contains some basic information about Class 3 (voluntary) National Insurance contributions.

As a self-employed person, you

- normally have to pay Class 2 National Insurance contributions
- may also have to pay Class 4 National Insurance contributions if your profits or gains are above a certain limit.

All amounts, rates and dates in this leaflet are for the tax year 6 April 2000 to 5 April 2001. Current benefit rates are in leaflet GL 23 *'Social Security benefit rates'*. Copies are available from your Local Benefits Agency or Inland Revenue National Insurance Contributions Office.

Other information available to you

Leaflet CWL1 *'Starting your own business?'* is available from your local Inland Revenue Enquiry Centre, Customs and Excise VAT Business Advice Centre, Inland Revenue National Insurance Contributions Office or Tax Office. It is also available on the Internet. It contains basic information about

- your National Insurance number
- what National Insurance contributions are
- Class 2 National Insurance contributions
- how to pay Class 2 National Insurance contributions
- Small Earnings Exception
- what to do if you are going to work abroad

- Class 4 National Insurance contributions
- deferring payment of National Insurance contributions
- share fishermen
- what to do if your circumstances change
- registering for VAT.

National Insurance contributions

Self-employed people are liable for Class 2 National Insurance contributions, but they may also have to pay Class 4 National Insurance contributions if their profits or gains are above a certain limit.

Class 2 National Insurance contributions are
- flat-rate payments
- collected by the Inland Revenue National Insurance Contributions Office.

Class 4 National Insurance contributions are
- profit related
- collected by the Inland Revenue based on the taxpayer's own Self Assessment. All National Insurance contributions shown on Self Assessment forms relating to self-employment are Class 4.

If you are self-employed and working for an employer as well, you may have to pay Class 1, Class 2 and Class 4 National Insurance contributions.

Class 1 National Insurance contributions are
- earnings related
- paid by people who work for an employer if their earnings exceed the Primary Threshold (see the Glossary on pages 26 and 27). For more details about Class 1 National Insurance contributions, see leaflet CA01 *'National Insurance contributions for employees'*.

Class 2 National Insurance contributions

WHO PAYS CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS?

Self-employed people pay Class 2 National Insurance contributions, for example

- shopkeepers
- members of professions in independent practice, for example, solicitors, barristers, architects
- doctors and dentists, both NHS and private
- authors and artists
- farmers, crofters and smallholders.

There are special arrangements for share fishermen. See leaflet CA11 *'National Insurance contributions for share fishermen'* for more details.

You must pay Class 2 National Insurance contributions for each week of self-employment, including holiday periods, if you

- are normally self-employed **and**
- are aged 16 or over **and**
- are under pension age **and**
- have not been excepted from liability to pay Class 2 National Insurance contributions.

SELF-EMPLOYED PEOPLE WITH SMALL EARNINGS

You can apply for exception from paying Class 2 National Insurance contributions if your net earnings from self-employment (that is your profits after deducting expenses) will be less than a fixed amount. For 2000/2001 this is £3,825. There are time limits for applications for exception, so apply as soon as possible. You will be sent a Certificate of Exception if your application is successful.

If you are excepted from liability, you may, if you wish, pay Class 2 National Insurance contributions voluntarily to keep up your rights to the benefits they provide.

For more details and an application form, see leaflet CA02 *'National Insurance contributions for self-employed people with small earnings'*.

Please note that you may be prosecuted if you fail to pay any National Insurance contributions for which you are liable.

WHAT HAPPENS IF YOU ARE SICK?

You do not have to pay a Class 2 National Insurance contribution for any complete week, Sunday to Saturday, for which you are

- receiving
  - Incapacity Benefit
  - Maternity Allowance
  - Unemployability Supplement to Industrial Injuries Benefit or War Disablement Benefit
- incapable of work even if you are not getting any benefit.

You may be able to get credits for complete weeks of sickness, Sunday to Saturday. See page 19 for more details.

If you are only sick for part of the week, even if you have a sick note, you

- must pay Class 2 National Insurance contributions
- cannot get a credit.

If you also work for an employer, you should send them sick notes regularly, even if your employer pays you Statutory Sick Pay. For more details, see leaflet IB202 *'Incapacity Benefit'*, (IB202 (NI) in Northern Ireland).

MARRIED WOMEN AND WIDOWS

Married women and some widows used to be able to choose

- not to pay Class 2 National Insurance contributions when self-employed
- to pay Class 1 National Insurance contributions at a reduced rate when employed.

However, they still had to pay Class 4 National Insurance contributions in full.

This is called reduced liability. Reduced rate National Insurance contributions do not count towards benefit.

The reduced liability option is no longer available, but if you had reduced liability on 5 April 1978, you can keep it unless

- your marriage ends in divorce or is annulled, or
- your Widow's Benefit ends for a reason other than remarriage, or
- you are widowed and do not qualify for Widow's Benefit, or
- you have not been liable to pay National Insurance contributions for two consecutive tax years after 5 April 1978 and you have not been self-employed in those tax years.

If you have kept the right to reduced liability, you should hold a Certificate of Election (form CA270). If you do not have this certificate, or it is out of date, contact the Inland Revenue National Insurance Contributions Office, Class 1 Caseworker Section, Longbenton, Newcastle upon Tyne, NE98 1ZZ.

As long as your certificate is current, you will not have to pay Class 2 National Insurance contributions, but you may still have to pay Class 4 National Insurance contributions.

You can give up your right to reduced liability if you wish. However, once you have given it up, you cannot get it back. For more information, please contact the Class 1 Caseworker Section at the above address or see leaflet CA13, *'National Insurance contributions for married women'*.

AFTER STATE PENSION AGE

You do not have to pay Class 2 National Insurance contributions after you reach State Pension Age, 65 for men and 60 for women (see the Glossary on pages 26 and 27), even if you have not retired.

You have to pay Class 4 National Insurance contributions for the tax year in which you reach State Pension Age if your profits are above the limit at which Class 4 National Insurance contributions become due.

NATIONAL INSURANCE CONTRIBUTION RATES FOR THE 2000/2001 TAX YEAR

These are

- Class 2 self-employed £2.00 per week
- Class 2 share fishermen £2.65 per week
- Class 3 voluntary £6.55 per week.

WHAT ARE THE TIME LIMITS FOR PAYMENT?

You are liable to pay National Insurance contributions even if they are too late to count for benefit purposes. If you get behind with your National Insurance contributions, the Inland Revenue National Insurance Contributions Office will take any necessary action to obtain payment.

National Insurance contributions which are not paid until the second tax year after the one in which they were due may be charged at a higher rate.

For more details, see leaflet CA07 *'National Insurance - unpaid and late paid contributions'*.

WHAT BENEFITS DO CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS COUNT FOR?

Class 2 National Insurance contributions count towards

- Incapacity Benefit, see leaflet IB202 *'Incapacity Benefit'* (IB202 (NI) in Northern Ireland)
- Retirement Pension, see leaflet NP46 *'A guide to Retirement Pension'*
- Widow's Benefit, see leaflet NP45 *'A guide to Widow's Benefit'*
- Maternity Allowance, see leaflet NI 17A *'A guide to Maternity Benefits'*. (NIL17A in Northern Ireland).

Class 2 National Insurance contributions **do not** count towards contribution-based Jobseeker's Allowance.

NOTIFYING SELF-EMPLOYMENT FOR THE FIRST TIME

If you are notifying us of self-employment for the first time, you must complete form CWF1 *'Notification of Self-Employment'*. This form is available from the Inland Revenue National Insurance Contributions Office, Self Employment Services, Customer Accounts Section, Longbenton, Newcastle upon Tyne, NE98 1ZZ. **Their telephone number is: 0845 9154655**. Calls are charged at local rates. Please note your calls may be monitored or recorded in order to improve the quality of our service.

VOLUNTARY CLASS 3 NATIONAL INSURANCE CONTRIBUTIONS

When you are self-employed, you can also pay voluntary Class 3 National Insurance contributions to help you qualify for some benefits. This could be because

- you are not liable to pay National Insurance contributions
- you have been excepted from paying Class 2 National Insurance contributions
- your contribution record is not good enough to qualify for benefit.

Class 3 National Insurance contributions are paid at a flat rate.

If you have not paid, or been credited with, enough National Insurance contributions during the tax year to make it a qualifying year for Retirement Pension or Widow's Benefit, you will be notified by the Inland Revenue National Insurance Contributions Office about 18 months after the end of the tax year.

In these cases, it may be worth you paying voluntary Class 3 National Insurance contributions. This is because unless you pay enough National Insurance contributions to make the year a qualifying year, any National Insurance contributions you have paid in that year, will not count towards Retirement Pension or Widow's Benefit. For more details, see leaflet CA08 *'National Insurance contributions. Voluntary contributions'*.

If you think you may not have paid enough National Insurance contributions and have not been contacted by the Inland Revenue, contact your nearest Inland Revenue National Insurance Contributions Office.

Please remember that you must pay Class 2 National Insurance contributions, not Class 3, for any period when you were self-employed, unless you were excepted from Class 2 liability.

Class 4 National Insurance contributions

WHO PAYS CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS?

Class 4 National Insurance contributions are paid by self-employed people, on profits or gains from any trade, profession or vocation, if those profits or gains are over a certain amount. This is in addition to Class 2 National Insurance contributions. However, there are a few exceptions. You do not have to pay Class 4 National Insurance contributions or apply for exception if you are

- aged 65 or over for men or 60 or over for women, at the beginning of the year of assessment (see the Glossary on pages 26 and 27). This includes people whose 65th/60th birthday falls on 6 April. If you reach 65/60 during the tax year, you will still be liable for Class 4 National Insurance contributions up to the following 5 April
- not resident in the United Kingdom (UK) for income tax purposes during the year of assessment
- a trustee, executor or administrator, but only in some cases
- a sleeping partner, that is, you supply capital and take a share of the profits but take no active part in running the trade, **or**
- a diver or diving supervisor
  - working in connection with exploration or exploitation activities on the UK continental shelf or in UK territorial waters, whose earnings are taxed under certain special rules, **and**
  - whose earnings are treated as being chargeable for tax under Schedule D.

If you are excepted from paying Class 4 National Insurance contributions, you should note the appropriate box on the tax return.

If you are under 16 on 6 April 2000, you will have to apply for exception from liability to pay Class 4 National Insurance contributions. You should apply before 6 April by completing form CA2835U *'Application for exception from liability for Class 4 contributions for persons under 16 years of age'*, which you can get from the Inland Revenue National Insurance Contributions Office, Deferment Services, Longbenton, Newcastle upon Tyne, NE98 lZZ.

You only need to apply once because the other years for which you qualify for exception will be covered by that application. If you were granted age exception for the 1999/2000 year, there is no need to apply again for 2000/2001.

WHAT IF I AM NOT EXEMPT FROM PAYMENT?

The Class 4 National Insurance contributions you need to pay for any tax year are based on your taxable profits for that year.

For tax years up to and including 1995/96, the Inland Revenue generally worked out and assessed your Class 4 National Insurance contributions at the same time as the income tax on your profits.

From 1996/97 onwards, the new Self Assessment rules apply which means that you must work out the profits on which National Insurance contributions are due when completing your annual tax return. There are notes in the tax return to help you do this.

Then you can either

- send back your completed tax return by 30 September following the year of assessment and the Inland Revenue will calculate the tax and Class 4 National Insurance contributions due for you, **or**
- calculate the tax and Class 4 National Insurance contributions yourself, in which case you have until 31 January following the year of assessment to send back your completed return and self assessment.

For example, your annual tax return for l999/2000 will normally be issued in April 2000. If you send back your completed return by 30 September 2000, the Inland Revenue will calculate the tax and Class 4 National Insurance contributions due. If you opt to calculate

the tax and Class 4 National Insurance contributions due yourself, you have until 31 January 2001 to send back your completed return and self assessment.

WHEN IS PAYMENT DUE?

Under Self Assessment, the income tax (which includes your Class 4 National Insurance contributions) which is due for any one year is payable without demand, normally in three instalments.

For example, consider the tax year 2000/2001. Two 'payments on account' are required, the first by 31 January 2001 and the second by 31 July 2001. Then a final 'balancing payment' will be required by 31 January 2002. In simple terms

- each payment on account is one half of the income tax and Class 4 National Insurance contributions bill for the previous year, 1999/2000
- the balancing payment or repayment is simply the difference between the total income tax (including Class 4 National Insurance contributions) and capital gains tax due for the year and the sum of your payments on account..

Not everyone will need to make payments on account because they will be based on the **net** income tax and Class 4 National Insurance contributions due for the previous year after taking into account any tax deducted at source during that year. You do not need to make a payment on account if

- each payment would be less than £250, **or**
- 80% of the income tax and Class 4 National Insurance contributions bill for the previous year was met by tax deducted at source. For example, if sufficient tax is deducted under PAYE or the Construction Industry Scheme, all that would be needed for 2000/2001 would be a single balancing payment (or repayment) by 31 January 2002.

It will also be possible for a taxpayer to make a claim to reduce or cancel the payments on account due for any year if they believe they will add up to more than the net income tax (including Class 4 National Insurance contributions) actually due for that year or that there will be no liability.

Remember, if a payment is overdue, you will have to pay interest.

WHAT IS THE RATE OF CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS?

Class 4 National Insurance contributions are based on a percentage of annual profits between a lower and upper limit. The levels are set each year by the Chancellor in the Budget. The rates for 1999/2000 and 2000/2001 are

	1999/2000	**2000/2001**
Lower profit limit	£7,530	£4,385
Upper profit limit	£26,000	£27,820
Rate of National Insurance contributions on profit between the limits	6%	7%

The maximum Class 4 National Insurance contributions you would have to pay for 2000/2001 on profits or gains of £27,820 or more would be £1,640.45. This is calculated as follows

Profit	£27,820	
less 2000/2001 lower profit limit	£4,385	
National Insurance contributions payable on	£23,435	@ 7% = £1,640.45

ON WHAT INCOME DO I HAVE TO PAY CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS?

The income you have to pay Class 4 National Insurance contributions on is

- your trading profits as calculated for income tax, including any adjustments for capital allowances and balancing charges, **plus**
- any Enterprise Allowance you receive.

You can deduct from your income

- certain interest and annual payments see page 14 for further information
- losses, see page 14 for further information.

When you are working out the amount on which you have to pay Class 4 National Insurance contributions, do not take into account

- personal tax allowances
- retirement annuity relief, personal pensions relief and superannuation contributions.

See page 17 for an example of the calculation.

DEDUCTING INTEREST AND ANNUAL PAYMENTS

You can deduct interest and annual payments when calculating profits for Class 4 National Insurance contributions if they

- are wholly and exclusively for the purpose of the trade
- have not been deducted in working out the trading profits for tax purposes.

For example, an annual payment to an ex-partner out of profits is not an allowable expense in calculating trading profits for income tax purposes. However, if the payment was incurred for the purposes of the trade, it can be deducted from the profit for Class 4 National Insurance contribution purposes.

If the amounts you can deduct exceed the profits you made in the year, the balance can be carried forward and deducted from future profits.

CLAIMING RELIEF FOR LOSSES

For Class 4 National Insurance contributions, trading losses can be set against trading profits using the same rules as for income tax.

Relief for income tax trading losses can be claimed in several ways

- trading losses can be set against income of the same or the previous year
- a trading loss in any of the first four years of self-employment can be set against the three previous years' income
- trading losses can be set against future income of the same trade.

Relief for Class 4 National Insurance contributions can only be set against trading income.

Any trading losses set against non-trading income for tax purposes, have not been relieved for Class 4 National Insurance contribution purposes. They can be carried forward to set against the trading profits for the next tax year until they have been fully relieved for Class 4 National Insurance contribution purposes. This means that profits charged to Class 4 National Insurance contributions in the following years will be lower than the profits charged to income tax. For an example, see page 18.

If a husband and wife are both in business, a loss by one cannot be set against any trading profit by the other.

For an example of a tax calculation, see page 17.

WHAT IF A HUSBAND AND WIFE ARE BOTH SELF-EMPLOYED?

A husband and wife who are both self-employed

- have their Class 4 National Insurance contributions worked out separately
- are responsible for paying their own tax and Class 4 National Insurance contributions.

If they are in partnership, Class 4 National Insurance contributions have to be paid on each part of the partnership profit.

PARTNERSHIPS

The Inland Revenue will collect the Class 4 National Insurance contributions arising from profits or gains made by each partner in a partnership.

CLASS 1 NATIONAL INSURANCE CONTRIBUTIONS ON EARNINGS INCLUDED IN THE CALCULATION OF CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS

Some people may have to pay Class 1 National Insurance contributions as employees on earnings which are also included in their trading profits in their tax returns or self assessments which form the basis of their Class 4 National Insurance contributions calculation.

If this applies to you, the amount of Class 4 National Insurance contributions for the year may be reduced. You may either

- apply for deferment of the Class 4 National Insurance contributions before the start of the tax year for which the Class 4 National Insurance contributions will be due. See page 21 for further details about deferring Class 4 National Insurance contributions
- apply for a refund of the Class 4 National Insurance contributions at the end of the tax year by contacting the Inland Revenue National Insurance Contributions Office, Deferment Services, Longbenton, Newcastle upon Tyne, NE98 1ZZ

and requesting form CA5610.

If you cannot apply for deferment before the start of the tax year, you can make a late application which will be considered if your Class 4 liability is not fully paid or under enquiry.

EXAMPLE OF A TAX AND CLASS 4 NATIONAL INSURANCE CONTRIBUTION CALCULATION

Andrew Strong is a car dealer and agent. He also has income from furnished lettings. His tax returns show the following income assessable for 1999/2000 and 2000/2001

1999/2000

Trading income	**£**
Car dealer	15,000
less Capital allowances	3,600
	11,400
Agent	2,500
Total trading profit	13,900
Other income: Furnished lettings	8,500

2000/2001

Trading income	**£**
Car dealer (loss £14,400)	
Agent	3,000
Other income: Furnished lettings	9,500

Calculating the income tax payable for 1999/2000

	Original (£)	**Revised (£)**
Car dealer	15,000	15,000
less Capital allowances	3,600	3,600
	11,400	11,400
Agent	2,500	2,500
Furnished lettings	8,500	8,500
	22,400	22,400
less Loss		14,400
		8,000
less Personal allowance	4,335	4,335
	18,065	3,665
Tax at 10% on first £1,500 and 23% on the excess	3,959.95	647.95 *

* Please see the next page.

* Under Self Assessment, if a claim is made to set a trading loss against a previous year's income, the previous year's assessment will not be amended. Instead, an adjustment in terms of tax, will be made to the self assessment for the year of the claim. The amount of the adjustment is the amount by which the liability for the previous year would have changed if the previous year's assessment had been amended. Earlier years' assessments are not reopened under Self Assessment.

CALCULATING THE CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS PAYABLE FOR 1999/2000

Andrew's Class 4 National Insurance contributions for 1999/2000 are worked out on his trading profit of £13,900. When it is known that he made a loss of £14,400 as a car dealer in the 1999/2000 tax year, the Class 4 National Insurance contributions are revised

	Original (£)	**Revised (£)**
Trading profit	13,900	13,900
		(less loss 13,900)
	13,900	0
less Lower profit limit	7,530	7,530
	6,370	**NIL**
Class 4 National Insurance contributions payable		
£6,370 x 7%	445.90	NIL*

The total trading loss is £14,400 but because Andrew has only used £13,900 against trading profit, there is a balance of £500 to carry forward to his Class 4 National Insurance contributions calculation for future trading profits.

* Please see the asterisked paragraph at the top of the page. Adjustments for National Insurance contributions are also made to the self assessment for the year of claim.

Credits

WHAT ARE CREDITS AND WHAT DO THEY COUNT FOR?

Credits

- protect your National Insurance record for Retirement Pension and Widow's Benefit
- maintain your entitlement to other benefits.

Credits count

- as Class 1 National Insurance contributions at the lower weekly earnings limit
- only towards basic benefit, not towards earnings related benefit
- towards Incapacity Benefit and contribution-based Jobseeker's Allowance in certain circumstances.

For most benefits, a certain amount of National Insurance contributions must also have been paid. Credits only count in certain circumstances. For example, they do not count towards the qualifying conditions for Maternity Allowance. For more details, see the individual benefit leaflets.

WHO CAN GET CREDITS?

You may be able to get credits instead of paying Class 2 National Insurance contributions if you are

- sick for a full calendar week, Sunday to Saturday. To get credits, you will normally have to send in sick notes to your local Benefits Agency office, or in Northern Ireland to Incapacity Benefits Branch, Castle Court, Royal Avenue, Belfast, BT1 1SB
- entitled to Maternity Allowance, Invalid Care Allowance or Unemployability Supplement
- entitled to Statutory Sick Pay or Statutory Maternity Pay
- taking a course of approved training. For more details, see leaflet CA12 *'Training for further employment and your National Insurance record'*
- receiving Disabled Person's Tax Credit. National Insurance credits are only available to the self-employed if either Small Earnings Exception has been granted, or you have received a refund of Class 2 National Insurance contributions because

of low earnings for the week(s) concerned. More information is available about small earnings for the self-employed in leaflet CA02 *'National Insurance contributions for self-employed people with small earnings'*

- a man aged 60 or over who is not liable to pay National Insurance contributions. See the section below, 'Credits and men approaching or over the age of 60'
- receiving a compensatory payment such as a payment in lieu of notice or a payment in lieu of remuneration
- if you have claimed Maternity Allowance but have not satisfied the contribution conditions you may still be entitled to credits.

You may be entitled to credits when you are unemployed if you are

- available to work for an employer
- actively seeking work throughout each complete week from Sunday to Saturday.

To get credits, you will normally have to make a labour market declaration at a Jobcentre or Benefits Agency Office, or in Northern Ireland you will normally have to attend your local Social Security Office.

You will not be able to get credits if you are a married woman or a widow with reduced liability and therefore have the right

- to pay reduced rate Class 1 National Insurance contributions when an employee
- not to pay Class 2 National Insurance contributions when self-employed.

CREDITS AND MEN APPROACHING OR OVER THE AGE OF 60

If you are a man aged 60 or over, or will reach 60 in the 2000/2001 tax year, special provisions apply. You will get National Insurance credits automatically if you

- are not liable to pay National Insurance contributions as an employed or self-employed earner
- have not been absent from Great Britain or Northern Ireland for more than six months (182 days) of the tax year.

If your earnings from self-employment are less than the Small Earnings Exception limit (for 2000/2001 the limit is £3,825), it could be worthwhile applying for an exception from paying Class 2 National Insurance contributions so you can get these credits.

If you are claiming contribution-based Jobseeker's Allowance and you are not entitled to or have exhausted your entitlement to benefit, you do not have to keep making declarations at the Employment Service Jobcentre, or Social Security office in Northern Ireland, to get these credits. They will be given to you automatically.

The Jobcentre or Benefits Agency Office, or Social Security Office in Northern Ireland, should send you a letter (CR8) explaining a special arrangement which will automatically continue your period of interruption of employment. You should keep the letter as you may need it later.

If you do not receive a letter, contact the Jobcentre or Benefits Agency Office, or Social Security Office in Northern Ireland.

Deferring payment and getting refunds if you have more than one job

DEFERRING CLASS 2 AND CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS

You may be able to defer payment of your Class 2 and Class 4 National Insurance contributions until your true liability has been worked out after the end of the tax year if you

- expect to be both employed and self-employed during the tax year
- expect your earnings as an employee to be substantial and
- believe that your total National Insurance contribution liability will be over the maximum by more than £10.

If you show that you are likely to pay more than a total of

- £1,746.95 in Class 1 and Class 2 National Insurance contributions, your Class 4 National Insurance contributions will be deferred
- £2,432.70 in Class 1 National Insurance contributions, your Class 2 and Class 4 National Insurance contributions will be deferred.

If your National Insurance contributions are deferred, the calculation and collection of any Class 4 National Insurance contributions will be transferred from your Tax Office to the Inland Revenue National Insurance Contributions Office. Your Tax Office will supply the Inland Revenue National Insurance Contributions Office with a certificate of your profits and gains. The Inland Revenue National Insurance Contributions Office will inform your Tax Office when payment has been received. For more details and the application form to apply for deferment, see leaflet CA72 *'National Insurance contributions, deferring payment'*.

If you have not notified the Inland Revenue National Insurance Contributions Office of your self-employment, you will need to complete form CWF1 *'Notification of self employment'* which is attached to leaflet CWL1. You can get a copy of this leaflet by

- ringing the Self Employment Services Call Centre on **0845 9154655#**. Calls are charged at local rates, **or**
- contacting the Inland Revenue National Insurance Contributions Office, Self Employment Services, Customer Accounts Section, Longbenton, Newcastle upon Tyne, NE98 1ZZ.

See page 24 for further details. The leaflet is also available from Inland Revenue Enquiry Centres, Tax Offices or the Internet.

Please note your call may be monitored or recorded in order to improve the quality of our service.

IF YOU ARE EMPLOYED AND SELF-EMPLOYED

If you are employed and self-employed and pay more than the prescribed amount of National Insurance contributions for a tax year, you may be able to get a refund. You should apply for a refund if you pay more than

- £2,432.70 in Class 1 and Class 2 National Insurance contributions in the 2000/2001 tax year (a refund will only be made if it is more than £3.06), or
- £1,746.95 in Class 1, Class 2 and Class 4 National Insurance contributions in the 2000/2001 tax year.

In these circumstances, you can get a refund of the Class 4 National Insurance contributions.

Class 1 National Insurance contributions paid at non-standard rates, for example, contracted out or married women's reduced rate, are converted to standard rate to work out if you have paid too much. Your employer's National Insurance contributions are not counted.

APPLYING FOR A REFUND OF CLASS 4 CONTRIBUTIONS

You can apply for a refund if

- you did not apply for exception or deferment in time and paid Class 4 National Insurance contributions, or
- your Class 4 National Insurance contributions are fully paid and you have paid more than the maximum amount of National Insurance contributions.

To apply for a refund, contact the the Inland Revenue National Insurance Contributions Office, Deferment Services, General Administration Section, Longbenton, Newcastle upon Tyne, NE98 lZZ. Please give full details of why you think a refund is due. Do not delay in applying, as refunds are usually only made if they are claimed within six years from the end of the tax year to which the payment relates.

SHARE FISHERMEN

Share fishermen who have not made arrangements for someone to record and collect Class 4 National Insurance contributions on their behalf, must apply for deferment of special Class 4 National Insurance contributions. Write to the Deferment Services, who will arrange for collection of your National Insurance contributions.

For more advice and information

ABOUT BENEFITS AND NATIONAL INSURANCE CONTRIBUTIONS

Contact your nearest Benefits Agency Office for more information and advice about benefits and the Inland Revenue National Insurance Contributions Office about National Insurance contributions.

You can get copies of this and other Inland Revenue leaflets from your nearest Inland Revenue (NI Contributions) Office. Most offices are open to the public from 9.30am to 3.30pm, Monday to Friday.

CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS

For further information about Class 2 National Insurance contributions ring the Self Employment Services Call Centre on **0845 9154655**. Calls are charged at local rate. You can also contact the Inland Revenue National Insurance Contributions Office, Self Employment Services Customer Accounts Section, Longbenton, Newcastle upon Tyne, NE98 1ZZ.

ABOUT DEFERRING PAYMENT OF NATIONAL INSURANCE CONTRIBUTIONS

For more information about deferring payment of National Insurance contributions, ring the Deferment Services Helpline on **0845 9157141**; calls are charged at local rate. You can also contact the Inland Revenue National Insurance Contributions Office, Deferment Services, Longbenton, Newcastle upon Tyne, NE98 lZZ. Further information about deferment, as well as other National Insurance services are available via the Internet. Our address is **www.inlandrevenue.gov.uk**

ABOUT SCHEDULE D AND CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS

If you need further information about Schedule D tax and Class 4 National Insurance contributions, please contact your local Inland Revenue Enquiry Centre or Tax Office.

PUBLICATIONS AVAILABLE FROM THE INLAND REVENUE

The Inland Revenue's *'Catalogue of leaflets and booklets'*, gives information about all the publications you can get from Inland Revenue Enquiry Centres, Tax Offices and Inland Revenue National Insurance Contributions Office. Addresses are in your local phone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 4.30pm, Monday to Friday and some are also open outside these hours.

You local Citizens' Advice Bureau may also have copies of Inland Revenue leaflets.

If you are unhappy with the service provided by the Inland Revenue

Leaflet IR120 'You and the Inland Revenue' gives details of our complaint procedures. You can get this leaflet from any Social Security office, Inland Revenue Enquiry Centre, Citizens Advice Bureau and main libraries.

DATA PROTECTION

The Inland Revenue is a Data Controller under the Data Protection Act. We hold information for the purposes specified in our notification made to the Data Protection Commissioner and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits, to check accuracy of information, prevent or detect crime or protect public funds.

We may check information we receive about you with what is already in our records. This can include information provided by you as well as other Government Departments and agencies and overseas tax authorities. We will not give information about you to anyone outside the Inland Revenue unless the law permits us to do so.

Glossary

Small Earnings Exception limit

This is the limit on earnings from self-employment below which people may, if they apply, be excepted from liability for Class 2 National Insurance contributions. The limit for the 2000/2001 tax year is £3,825.

Primary Threshold

If you work for an employer and earn above a certain amount, called the Primary Threshold, you have to pay Class 1 National Insurance contributions. The Primary Threshold for the 2000/2001 tax year is

- £76 a week
- £329 per month
- £3,952 per year.

Qualifying year

This is a tax year in which you have paid enough National Insurance contributions or been awarded enough credits for it to count for Retirement Pension and Widow's Benefit.

Reduced liability

This applies to some married women and widows who have elected not to pay Class 2 National Insurance contributions when self-employed and reduced rate Class 1 National Insurance contributions when employed.

State Pension Age

At the moment, men can get their State Pension at age 65 and women at 60. State Pension will be equalised at age 65 for both men and women from 6 April 2020. The change from 60 to 65 for women will be phased in over a ten year period from 2010 to 2020.
This means that women born

- before 6 April 1950 can still get their State Pension at 60
- between 6 April 1950 and 5 April 1955, will get their State Pension between age 60 and 65 (for more information, see leaflet EQ P1a, available from your nearest Social Security office)
- on or after 6 April 1955 will be able to get their State Pension at 65.

Tax year

This starts on 6 April one year and ends on 5 April in the next.

Tax deducted at source

Tax deducted before a payment is made to you.

Year of assessment

The year on which National Insurance contributions are based. It starts on 6 April one year and ends on 5 April in the next.

Service First

These notes are for guidance only and reflect the position at the time of writing.
They do not affect your right of appeal about your tax, National Insurance or VAT.

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